

TRANSCRIPT OF PROCEEDINGS

UNITED STATES SENATE

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COMMITTEE ON THE JUDICIARY

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CONSOLIDATION IN THE OIL AND GAS INDUSTRY: RAISING PRICES?

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COMMITTEE

Washington, D.C.

March 14, 2006

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Senator Grassley. I want to ask a question of any of you, and this is in regard to alternative energy. And most of you know I am a big promoter of ethanol. I have heard stories after stories about independent owners of franchised or branded stations who are prohibited from selling alternative or renewable fuels, so I would like to hear from

1 some of you--will you commit to allowing independent owners
2 of branded stations who choose to sell E-85 or B-20 to do
3 so? Would you allow independent owners to produce
4 alternative fuels from any outlet so that they can purchase
5 a fuel at the lowest cost?

6 Mr. Tillerson. Senator, we have denied no request from
7 any of our dealers who have asked for permission to sell
8 unbranded E-85 at their sites. We have asked that they make
9 it clear that it is not an ExxonMobil product, that we do
10 not manufacture it, therefore we can't stand behind the
11 quality. But we have granted every request by our dealers
12 who wanted to install separate pump facilities under their
13 canopy for E-85.

14 Senator Grassley. I would like to hear from other
15 companies, maybe not all of you, but at least--

16 Mr. O'Reilly. Senator, I would be willing to say that
17 we have already asked for. It is already out there. It can
18 be under the canopy. Same quality issue. I would also add
19 that we are probably the largest, certainly one of the
20 largest sellers of ethanol today already.

21 Mr. Hofmeister. Senator, we are in the same position
22 as has been described. You may be aware that we are
23 currently launching a pilot in Chicago, in conjunction with
24 one of the automobile manufacturers, to test E-85. And I
25 think that is an important point. E-85 needs to be tested

1 in the marketplace before we go full-scale into E-85 supply.
— 2 The reason for that is we don't fully understand or know the
3 implications of E-85, and as a major brand, of course, the
4 provider of that fuel will often be considered liable for
5 such fuel. And until we understand it, I think we need to
6 really work at what are the conditions under which this
7 would be sold.

8 Senator Grassley. Most of the people I hear complaints
9 from will assume liability. You don't have to have that
10 liability.

11 Other companies? Are you willing to cooperate with E-
12 85?

13 Mr. Klesse. Senator, I would agree with what has been
14 said.

15 Mr. Pillari. Senator, of our 9,300 stations, 8,900 of
16 them are independently operated and they are free to deploy
17 E-85. We are also running a test program on E-85 in
18 California to test its efficacy and its air pollution
19 impacts, because California restricts how much ethanol can
20 be used in gasoline today.

21 Mr. Mulva. Senator, we have the same comments that you
22 have heard from the responses from the others already.

23 Senator Grassley. My time is up, but this business of
24 you having to test something when you have the president of-
— 25 -I think it is the CEO of Ford on television all the time

1 saying how they are promoting their E-85 cars, it seems to
— 2 me if you have the president of a major corporation like
3 that, that is all the test you need. Leave it up to the
4 consumer to make the decision.

5 Chairman Specter. Thank you, Senator Grassley.
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